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Programme budget for the biennium 2008-2009

Second performance report on the programme budget for the biennium 2008-2009

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered an advance copy of the Secretary-General's second performance report on the programme budget of the United Nations for the biennium 2008-2009 (A/64/545). During its consideration of the report, the Advisory Committee met with representatives of the Secretary-General, who provided additional information and clarification.

2. **The Advisory Committee commends the Secretary-General for having submitted the second performance report earlier than in the past, as recommended by the Committee (A/62/589, para. 2), to ensure its availability to Member States in time for their consideration of the proposed programme budget for the biennium 2010-2011. In the view of the Committee, the second performance report would be a more useful accountability and monitoring tool for Member States in their review of the financial aspects of the performance of the budget if it contained a greater degree of analysis of data and subsequent trends over past bienniums.**

3. The anticipated final level of expenditures and income for the biennium 2008-2009 is based on the actual expenditures for the first 21 months of the biennium, the projected requirements for the last three months, changes in inflation and exchange rates and cost-of-living adjustments as compared with the assumptions made in the first performance report (A/63/573).

4. The Advisory Committee notes that the anticipated final level of expenditures and income for the biennium represents a net decrease of $85.4 million compared with the revised appropriation and estimate of income approved by the General Assembly in its resolutions 63/264 A to C, 63/268 and 63/283. The projected expenditure for the biennium 2008-2009 is estimated at $4,792.4 million, a decrease of $92.8 million (1.9 per cent) compared with the revised appropriation of

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$4,885.2 million. Projected income is estimated at $550.5 million, a decrease of $7.4 million (1.3 per cent) over the revised income estimates of $557.9 million. Details are provided in table 1 of the second performance report.

5. The net decrease of $85.4 million reflects the combined effects of: (a) projected additional requirements of $36.9 million due to changes in exchange rates ($22.9 million), commitments entered into under the provisions of resolution 60/249 on unforeseen and extraordinary expenses and in respect of decisions of policymaking organs ($6.6 million) and a decrease in income ($7.4 million); and (b) reduced requirements of $122.3 million due to changes in inflation ($27.9 million) and variations in post costs and adjustments to other objects of expenditure, based on actual anticipated requirements ($94.4 million).

6. Explanations concerning the requirements relating to changes in exchange rates and inflation are provided in the performance report, as are details regarding the budgeted and realized rates of exchange and information on changes in exchange rates and inflation by duty station (A/64/545, paras. 8-15, tables 4 and 5 and figs. I-III).

7. As noted in the performance report, the exchange rates that were used comprised: (a) actual exchange rates from January to October 2009; and (b) the October exchange rates for the months of November and December 2009. The actual requirements reflect the weakening of the United States dollar during 2009 in comparison with the exchange rates used in calculating the revised appropriation. For the calculation of the revised appropriation for 2009, the November exchange rate was applied to all duty stations except for Port of Spain and Beirut, for which an average of the relevant 2008 exchange rates was applied. This is consistent with approved methodology in order to allow for the lowest estimate for each duty station.

8. The above-noted increase in the amount of $22.9 million for exchange-rate-related requirements is the net result of additional requirements in the amount of $33.5 million at eight locations (Bangkok, Beirut, Geneva, Nairobi, the United Nations Military Observer Group in India and Pakistan, The Hague, Santiago and Vienna), offset by reduced requirements in the amount of $10.6 million at three duty stations (Addis Ababa, Gaza and Mexico City), as follows:

	Additional requirements
Swiss franc	$18.7 million
Euro	$6.9 million
Chilean peso	$5.5 million
Kenya shilling	$1.6 million
Thai baht	$0.6 million
Other	$0.2 million
Subtotal	**$33.5 million**

Reduced requirements	
Ethiopian birr	($8.9 million)
Other	($1.7 million)
Subtotal	**($10.6 million)**
Total	**$22.9 million**

9. Under the terms of General Assembly resolution 62/239 on unforeseen and extraordinary expenses, the Secretary-General is authorized, with the prior concurrence of the Advisory Committee, to enter into commitments for: (a) amounts not exceeding a total of $8 million in one year relating to peace and security; (b) such commitments as the President of the International Court of Justice certifies relating to Court expenses; and (c) amounts not exceeding $1 million for security measures.

10. In this connection, total additional requirements of $6,636,700 (A/64/545, paras. 16-36 and table 7) are a net result of:

(a) Net commitments certified by the Secretary-General for the maintenance of peace and security ($3,422,600) relating to:

(i) Programme budget section 3 (Political affairs) ($2,986,300) for the Gaza Board of Inquiry, the Panel of Experts on the Democratic People's Republic of Korea, the Special Envoy of the Secretary-General for Assistance to Pakistan, support to the dialogue process in Madagascar, and the Special Adviser to the Group of Friends of Democratic Pakistan;

(ii) Programme budget section 5 (Peacekeeping operations) ($436,300) for the United Nations arrangement in support of the Geneva international discussions and the joint incident prevention and response mechanism;

(b) Commitments certified by the President of the International Court of Justice for unforeseen expenses ($410,000) for the payment of pensions, travel, removal expenses and installation grants of members of the Court;

(c) Total commitments ($2,804,100) in connection with decisions of policymaking organs relating to:

(i) Commitments in the amount of $1,936,400 gross ($1,849,800 net) for the construction of additional office facilities at the Economic Commission for Africa, which were entered into by the Secretary-General for the biennium 2008-2009 as previously approved by the General Assembly in its resolution 62/238 and which, following project delays, would still be required in future for the implementation of the project;

(ii) An estimated amount of $867,700 gross for the Conference on the World Financial and Economic Crisis and its Impact on Development, held from 1 to 3 June 2009, as decided by the General Assembly in its resolution 63/277.

11. In addition, commitments in the net amount of $11,320,100 were entered into, in connection with the limited discretion for budgetary implementation authorized in resolution 60/283 for the enterprise resource planning system ($2,764,000) and for operational preparedness and business continuity in a protracted crisis resulting

from a human influenza pandemic ($8,556,100). These requirements have been funded through the utilization of savings identified under programme budget sections 2, 5, 9, 17, 21, 23 and 27.

12. The Advisory Committee notes from paragraph 27 of the report that the Secretary-General intends to propose the continuation of the limited budgetary discretion mechanism and to submit, at the sixty-fourth session, a comprehensive report on the implementation of the limited discretionary authority experiment authorized under the provisions of section III of resolution 60/283. The Committee will provide its comments on the utilization by the Secretary-General of the limited discretionary authority mechanism in the current biennium in its report on that issue.

13. An underexpenditure of $94,400,000 is projected relating to post incumbency and other changes reflecting: (a) the difference between realized vacancy rates and those assumed in the revised appropriations; (b) differences between actual average salary and common staff costs compared with the standards included in the revised appropriations; and (c) adjustments to objects of expenditure other than posts based on actual and anticipated requirements to the end of the biennium. Details are provided in paragraphs 37 to 61 of the performance report (A/64/545).

14. Budgeted vacancy rates for the biennium 2008-2009 for continuing posts are 6.5 per cent for Professional posts and 3.5 per cent for General Service posts. The average vacancy rate for the Professional category increased from 8.2 per cent in 2008 to 8.9 per cent in 2009, and the average vacancy rate for the General Service category from 3.2 per cent in 2008 to 3.7 per cent in 2009. The report also indicates that high budgeted vacancy rates of 50 per cent and 35 per cent for Professional and General Service posts, respectively, were applied in sections with newly approved posts, such as in connection with administration of justice (resolution 63/228), development-related activities (resolution 63/260) and the strengthening of the Department of Political Affairs (resolution 63/261).

15. The Advisory Committee notes the underexpenditure under the budgetary category of posts. Of the revised appropriation in the amount of $2,286,471,900, a total of $2,197,505,400 is proposed as the final appropriation, representing an underexpenditure of $88,966,500. The Committee notes the significant budgetary implications of higher-than-budgeted vacancy rates and recalls its comments that efforts should be made to carefully monitor budgetary assumptions in view of the large discrepancies between the budgeted and realized vacancy rates (A/62/589, para. 13).

16. Table 1, which is based on information provided to the Committee upon request, shows authorized regular budget posts that remained vacant as at 31 October 2009.

Table 1
Vacant authorized posts under the regular budget as at 31 October 2009

Section	*Vacant posts*	*Professional*	*General Service*	*Level*[a]
1. Overall policymaking, direction and coordination	18	13	5	2 D-1, 6 P-5, 1 P-4, 4 P-3, 2 GS (OL), 3 GS (LL)
2. General Assembly and Economic and Social Council affairs and conference management	95	56	39	1 D-2, 1 D-1, 5 P-5, 20 P-4, 24 P-3, 5 P-2/1, 1 GS (PL), 35 GS (OL), 3 TC
3. Political affairs	44	34	10	1 D-1, 5 P-5, 9 P-4, 13 P-3, 6 P-2/1, 1 GS (PL), 6 GS (OL), 2 SS, 1 FS
4. Disarmament	2	1	1	1 P-5, 1 GS (OL)
5. Peacekeeping operations	48	8	40	1 D-2, 1 P-5, 2 P-4, 2 P-3, 2 P-2/1, 1 GS (OL), 39 FS
6. Peaceful uses of outer space	1	1	—	1 P-3
7. International Court of Justice	3	3	—	2 P-4, 1 P-3
8. Legal affairs	3	1	2	1 P-3, 2 GS (OL)
9. Economic and social affairs	44	28	16	6 D-1, 4 P-5, 7 P-4, 6 P-3, 5 P-2/1, 2 GS (PL), 14 GS (OL)
10. Least developed countries, landlocked developing countries and small island developing States	4	4	—	1 P-5, 3 P-4
11. United Nations support for the New Partnership for Africa's Development	11	10	1	1 USG, 1 P-5, 3 P-4, 5 P-3, 1 GS (OL)
12. Trade and development	21	18	3	4 D-1, 2 P-5, 3 P-4, 6 P-3, 3 P-2/1, 1 GS (PL), 2 GS (OL)
17. Economic and social development in Africa	66	51	15	14 P-5, 16 P-4, 14 P-3, 7 P-2/1, 2 GS (LL), 13 NO
18. Economic and social development in Asia and the Pacific	35	25	10	1 D-1, 7 P-5, 6 P-4, 9 P-3, 2 P-2/1, 9 GS (LL), 1 NO
19. Economic development in Europe	11	8	3	3 P-5, 1 P-4, 2 P-3, 2 P-2/1, 1 GS (PL), 2 GS (OL)
20. Economic and social development in Latin America and the Caribbean	23	20	3	1 D-1, 4 P-5, 6 P-4, 6 P-3, 3 P-2/1, 3 GS (LL)
21. Economic and social development in Western Asia	32	28	4	1 D-2, 5 P-5, 10 P-4, 7 P-3, 5 P-2/1, 3 GS (LL), 1 NO
23. Human rights	53	44	9	1 D-1, 10 P-5, 18 P-4, 10 P-3, 5 P-2/1, 9 GS (OL)
24. International protection, durable solutions and assistance to refugees	1	1	—	1 ASG
25. Palestine refugees	10	9	1	1 P-5, 4 P-4, 4 P-3, 1 GS (OL)
26. Humanitarian assistance	2	2	—	1 D-2, 1 D-1
27. Public information	30	11	19	3 D-1, 2 P-5, 2 P-4, 3 P-3, 1 P-2/1, 13 GS (OL), 5 GS (LL), 1 NO
28. Management and support services	33	11	22	2 P-4, 3 P-3, 6 P-2/1, 1 GS (PL), 17 GS (OL), 4 TC

Section	*Vacant posts*	*Professional*	*General Service*	*Level*[a]
29. Internal oversight	17	14	3	1 D-1, 2 P-5, 5 P-4, 3 P-3, 3 P-2/1, 3 GS (OL)
33. Safety and security	20	3	17	2 P-3, 1 P-2/1, 1 GS (OL), 1 SS, 15 GS (LL)
36. Office of Information and Communications Technology	16	12	4	1 D-1, 3 P-5, 7 P-3, 1 P-2/1, 4 GS (OL)
Subtotal	**643**	**416**	**227**	**1 USG, 1 ASG, 4 D-2, 23 D-1, 77 P-5, 120 P-4, 133 P-3, 57 P-2/1, 7 GS (PL), 114 GS (OL), 7 TC, 3 SS, 40 GS (LL), 40 FS, 16 NO**
Income section 3. Services to the public	12	2	10	1 P-4, 1 P-3, 2 GS (PL), 8 GS (OL)
Total	**655**	**418**	**237**	**1 USG, 1 ASG, 4 D-2, 23 D-1, 77 P-5, 121 P-4, 134 P-3, 57 P-2/1, 9 GS (PL), 122 GS (OL), 7 TC, 3 SS, 40 GS (LL), 40 FS, 16 NO**

[a] The following abbreviations relating to posts have been used in the table: USG, Under-Secretary-General; ASG, Assistant Secretary-General; GS, General Service; PL, Principal level; OL, Other level; LL, Local level; NO, National Officer; FS, Field Service; SS, Security Service; TC, Trades and Crafts.

17. The Advisory Committee was informed that actual vacancy rates continue to be higher than budgeted owing to the length of time it takes to fill posts (see para. 18 below). **The Committee points out that the time frame for filling posts has not improved over time and the related actual and budgeted vacancy rates have not changed markedly. In the interim, new posts continue to be requested in the proposed budget of any given biennium, indicating that post requirements and budgeted vacancy rates may not be based on realistic assumptions. The Committee is concerned about the related financial implications that that practice represents and believes that there is a need for tighter budgetary control in this connection. The Committee requests that the planning assumptions used during the decision-making process for budgetary requests regarding whether to retain existing posts and/or request the establishment of new posts be more realistic in order to avoid vacancy rates that are consistently above those that are budgeted.**

18. In this connection, the Advisory Committee recalls its comments in paragraph 44 of its first report on the proposed programme budget for the biennium 2010-2011 (A/64/7). At the time, the Committee was informed that vacancy rates were understated since, for budgetary purposes, a post was defined as vacant only if no person was charged against the post and that, in terms of human resources management, a vacancy was understood to constitute a post available for recruitment or placement as defined in paragraph 3.1 of administrative instruction ST/AI/1997/7. The Committee noted that no entity in the Secretariat had a true picture of the actual vacancies that exist. The Committee also indicated that it expected that that matter would be addressed expeditiously through such means as the introduction of the enterprise resource planning system.

19. Further underexpenditures are also observed under: (a) consultants and experts ($3,528,500); contractual services ($10,929,000); supplies and materials

($3,253,400); improvement of premises ($841,500); and other ($29,966,800). Overexpenditures are observed, under, inter alia: (a) other staff costs ($22,811,900); travel of staff ($10,810,900) (see paras. 20-22 below); general operating expenses ($3,511,100); furniture and equipment ($4,252,100); and grants and contributions ($3,233,600). **The Advisory Committee believes that, in order to enhance budgetary control and ensure transparency, information should be provided in future performance reports as to the reasons for variations in expenditure.**

20. Projected expenditures across budget sections with regard to travel of staff amount to $76,602,400, representing a net increase of $10,810,900 (16 per cent) over the revised appropriation of $65,791,500 (A/64/545, para. 50 (a) to (i) and schedule 2).

21. The Advisory Committee recalls that, during the biennium 2006-2007, a number of sections exceeded the level of appropriation for travel of staff by more than 25 per cent (A/62/589, para. 14). Table 2 shows a comparison of overruns from the biennium 2006-2007 to the current biennium.

Table 2
Comparison of overruns for travel of staff

Budget section	*2006-2007 overrun (Percentage)*	*Revised 2008-2009 appropriation*	*Proposed 2008-2009 final appropriation*	*2008-2009 overrun/ underrun*	*Change 2006-2008 to 2008-2009*
		(Thousands of United States dollars)		*(Percentage)*	
1. Overall policymaking, direction and coordination	42.2	3 576.1	5 205.5	45.6	3.4
2. General Assembly and Economic and Social Council affairs and conference management	51	330.3	773.5	134	83
4. Disarmament	56	333.9	464.9	39	(16.8)
10. Least developed countries, landlocked developing countries and small island developing States	68.8	192.4	213.1	11	(57.8)
11. United Nations support for the New Partnership for Africa's Development	[a]	446.6	661.1	48	[a]
21. Economic and social development in Western Asia	26.4	627.8	829.4	32	5.6
23. Human rights	[a]	3 054.0	4 611.3	51	[a]
28A. Office of the Under-Secretary-General for Management	252.1	66.4	545.2	721	468.9
28B. Office of Programme Planning, Budget and Accounts	33.6	280.7	151.8	(46)	(79.6)
28C. Office of Human Resources Management	133.9	732.4	962.1	31	(102.9)
28E. Administration, Geneva	157.5	89.9	278.0	209	51.5
28F. Administration, Vienna	123.1	34.3	73.8	115	(8.1)
33. Safety and security	61	1 708.4	3 752.9	119.7	58.7

[a] Section is included for the first time. It was not included in the Committee's previous table (see A/62/589, para. 14), since the overrun related to the travel of staff was less than 25 per cent in 2006-2007.

22. The Advisory Committee recalls its comments with regard to overruns in connection with the travel of staff (A/62/589, para. 15). The Committee notes the explanations provided under paragraph 50 (a) to (i) of the performance report, but regrets that expenditure overruns for the travel of staff have not improved overall, with the exception of sections 4, 10, 28 B, 28 C and 28 F, which have shown various degrees of improvement. **The Committee therefore reiterates its request that an analysis be undertaken of the underlying causes of overexpenditure under travel of staff in cases where it occurs in consecutive bienniums. The Committee reiterates furthermore the need to keep expenditures within the approved budget through tighter planning assumptions and budgetary control mechanisms.**

23. Unliquidated obligations, as at the end of October 2007, amounted to $212.2 million (A/64/545, para. 62). The Advisory Committee was informed that the level of unliquidated obligations was not directly comparable to that of the unliquidated obligations included in the performance reports for peacekeeping operations owing to the timing of the performance reports for the respective financial period. In the case of peacekeeping operations, the unliquidated obligations amount reported is the final amount following closure of the financial period. Therefore, the only changes to the unliquidated obligation amount are based on disbursements effected during the following financial period and can only decrease from the amount reported. In the case of the second performance report for the biennium 2008-2009, the amount reported is the amount as at 31 October 2009, which, with three months remaining, would be subject to change.

24. Paragraph 69 of the performance report indicates that the General Assembly, in paragraph 4 of section XII of its resolution 63/263, requested the Secretary-General to compare the recosting methodologies used by other international organizations with that used by the Secretariat and to report thereon in the context of the second performance report on the programme budget for the biennium 2008-2009. The United Nations System Chief Executives Board for Coordination was requested to conduct a review to update the main contents of the first edition of its report on budgeting practices in United Nations system organizations (CEB/2003/HLCM/21). The second edition of the survey (CEB/2009/HLCM/FB/14), which includes input from 16 United Nations system organizations, updates the main contents of the report issued in 2003 and extends the scope of the previous research, with particular reference to the methodologies to recalculate cost estimations during the budget period (recosting methodologies), links between planning, programming and budgeting and transition towards results-based budgeting. As further noted in the performance report, the recosting methodology used by the United Nations in preparing the programme budget for 2008-2009 has remained unchanged from that used in previous bienniums and endorsed by the General Assembly in its resolution 47/212 A. Under this methodology, recosting is the revision process whereby adjustments in the level of appropriations are made as a result of variations in operational rates of exchange, actual inflation experience, average level changes and vacancy rates previously assumed. The programme budget is recosted four times in the biennial cycle. The Advisory Committee notes the explanations provided by the Secretary-General in his report concerning the recosting methodology (A/64/545, paras. 69-74).

25. The Advisory Committee received, upon request, a table of the recosted amounts from the biennium 1996-1997 to the biennium 2008-2009 (see table 3).

Table 3
Evolution of recosted amounts per biennium
(Millions of United States dollars)

Biennium	*Recosting contained in proposed programme budget proposals*[a]	*Recosting reflected at time of initial appropriation*[b][c]	*Recosting reflected in the first performance report*[b][d]	*Recosting reflected in the second performance report*[b][e]	*Total recosting*
1996-1997	176.9	89.9	(39.5)	(47.7)	179.6
1998-1999	103.7	(113.7)	(56.3)	(19.2)	(85.5)
2000-2001	119.8	(87.6)	(49.9)	19.6	1.8
2002-2003	129.3	35.3	113.3	66.9	344.8
2004-2005	152.4	150.5	123.9	38.4	465.2
2006-2007	195.3	(52.8)	66.7	33.4	242.6
2008-2009	200.4	43.7	179.4	(5.0)	418.5

[a] Recosting adjustments are estimated change against assumptions made during the prior phase of the budget cycle.

[b] Proposed programme budget for the biennium 1996-1997 (A/50/6 (Part one)), 1998-1999 (A/52/6 (Part one) (1)), 2000-2001 (A/54/6 (Part one) (1)), 2002-2003 (A/56/6 (Introduction)), 2004-2005 (A/58/6 (Introduction)), 2006-2007 (A/60/6 (Introduction)) and 2008-2009 (A/62/6 (Introduction) and Corr.1).

[c] Revised estimates: effect of changes in rates of exchange and inflation for the biennium 1996-1997 (A/C.5/50/38), 1998-1999 (A/C.5/52/34), 2000-2001 (A/54/623/Add.1 and Corr.1), 2002-2003 (A/56/659), 2004-2005 (A/58/528), 2006-2007 (A/60/599) and 2008-2009 (A/62/587).

[d] First performance report on the programme budget for the biennium 1996-1997 (A/C.5/51/38), 1998-1999 (A/53/693), 2000-2001 (A/55/645/Add.1), 2002-2003 (A/57/616), 2004-2005 (A/59/578), 2006-2007 (A/61/593) and 2008-2009 (A/63/573).

[e] Second performance report on the programme budget for the biennium 1996-1997 (A/C.5/52/32 and Corr.1), 1998-1999 (A/54/631 and Corr.1), 2000-2001 (A/56/674 and Corr.1), 2002-2003 (A/58/558), 2004-2005 (A/60/572), 2006-2007 (A/62/575) and 2008-2009 (A/64/545).

26. **The Advisory Committee recommends that the General Assembly take note of the second performance report on the programme budget for the biennium 2008-2009 (A/64/545).**